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RELEASED

Audit Of Financial Transactions
Of The Sergeant At Arms
For Fiscal Year 1972 B-114854

House of Representatives

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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OCT. 4, 1972



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-114854

To the Speaker and Acting Sergeant at Arms
of the House of Representatives

The General Accounting Office has made an audit of the financial transactions of the Sergeant at Arms, House of Representatives, for fiscal year 1972 pursuant to the act of July 26, 1949 (2 U.S.C. 81a). Our audit consisted of separate examinations of the financial transactions of the Sergeant at Arms for the 6-month periods ended December 31, 1971, and June 30, 1972, respectively, and included:

1. Preparation of financial statements.
2. A review of applicable Federal laws relating to payments of salaries and mileage of members, the expense allowance of the Speaker, and payments of gratuities to widows or widowers and heirs of deceased members.
3. A review of House banking operations.
4. A review, on a test basis, of records and financial transactions, including such auditing procedures as we considered necessary under the circumstances.

Because salaries of employees and other expenses of the Office of the Sergeant at Arms are paid by the Clerk of the House from separate appropriations, such transactions were not covered in this audit.

GENERAL COMMENTS

The Sergeant at Arms is directed by statute to keep the accounts for the pay and mileage of members of the House of Representatives, to act as disbursing officer of moneys appropriated for the compensation of members, and to account for such funds according to law (2 U.S.C. 78, 80).

Salary and expense appropriations are disbursed on the basis of monthly payroll vouchers covering the earned salaries and mileages of members and the expense allowance of the Speaker. The amount due each member either is paid to him by check or, if he so requests, is transferred to his credit in the deposit fund account which has been established in the

Treasury for this purpose. In addition, the Sergeant at Arms acts as disbursing officer for amounts appropriated for gratuities to widows or widowers and heirs of deceased members and maintains a banking operation known as the House Bank.

The deposit fund maintained by the Sergeant at Arms represents the total of the individual accounts for the various members who utilize the banking facility. The amount due each member may be withdrawn by a written order for payment presented either directly to the Sergeant at Arms or through regular banking channels.

Moneys on deposit in the deposit fund are used in cashing checks for members and employees of the House. Other banking operations consist of selling traveler's checks and assisting members in (1) purchasing savings bonds and (2) negotiating and liquidating personal loans with local banks.

These banking activities have not been established by specific legislation but have developed over a long period as a service to members. These activities were given recognition in the act of July 26, 1949 (H. Res. 465, 84th Cong.), and were made permanent by section 103 of the Legislative Branch Appropriation Act, 1957 (70 Stat. 370), and the act of July 2, 1958 (72 Stat. 293). In these acts the moneys in the deposit fund are classified as trust funds.

ASSETS AND LIABILITIES

The funds for which the Sergeant at Arms was accountable at December 31, 1971, and June 30, 1972, are summarized in the statement of assets and liabilities. (See sch. 1.) Pertinent comments on certain accounts, transactions, and accounting controls are presented below.

Exchange items on hand

Exchange items on hand amounting to \$46,057 at December 31, 1971, and \$243,200 at June 30, 1972, represent checks cashed for members and employees of the House on the last business day of each 6-month period. The checks are exchanged for cash at a local bank on the following business day.

The peak volume of check-cashing transactions occurs when House employees cash their paychecks, usually at the end of each month. During fiscal year 1972, the largest volume of

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checks cashed during a month occurred in March 1972 when checks amounting to \$1,788,435 were cashed and the largest volume during 1 day occurred on March 1, 1972, when checks amounting to \$231,866 were cashed.

The check-cashing transactions for fiscal year 1972 are summarized below.

	<u>Six-month period ended</u>	
	<u>December 31,</u> <u>1971</u>	<u>June 30,</u> <u>1972</u>
Checks on hand at beginning of period	\$ 270,323	\$ 46,057
Checks cashed	<u>8,539,454</u>	<u>9,640,231</u>
	8,809,777	9,686,288
Checks exchanged for cash	<u>8,763,720</u>	<u>9,443,088</u>
Checks on hand at end of period	\$ <u>46,057</u>	\$ <u>243,200</u>

The total amount of checks cashed during fiscal year 1972 was \$1,362,239 more than that of the prior fiscal year, an increase of 8.1 percent. Checks returned to the Sergeant at Arms, for various reasons (e.g., insufficient funds), by the banks during fiscal year 1972 totaled \$50,255, or \$26,664 more than the amount of checks returned in the prior fiscal year.

The Sergeant at Arms has stated that he maintains control over these returned checks on an item basis until they are liquidated.

Due from members

The accounts receivable due from members (members' unpaid checks) (see sch. 1) represent checks which were cashed by the Sergeant at Arms but which were not charged to the members' accounts pending deposits of sufficient funds by the members. Individual unpaid checks are listed on the day they are received, but the amounts unpaid at any time by individual members can be determined only from the unpaid checks on hand. Furthermore, records are not maintained from which the frequency, duration, and amounts of actual overdrafts, in total or by individual members, can be determined.

During fiscal year 1972, members' unpaid checks numbered 12,309 and amounted to \$1,915,988, compared with 8,519 checks amounting to \$1,509,922 in the preceding fiscal year, an increase of about 44 percent in number and 27 percent in amount. Redemption of these unpaid checks totaled \$1,907,872 and \$1,503,340 during fiscal years 1972 and 1971, respectively, which resulted in unpaid checks of \$63,104 on hand at June 30, 1972, compared with \$54,988 on hand at June 30, 1971.

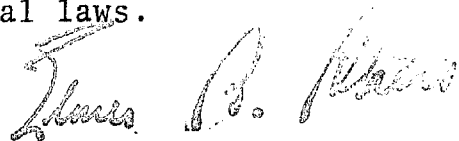
After members' salaries were credited to their accounts on July 3, 1972, two members still owed more than \$4,000 each. On July 3, 1972, 11 members, including the two above, had a total of \$13,993 in unpaid checks outstanding, an increase from July 1, 1971, when six members had a total of \$7,874 in unpaid checks outstanding.

The Sergeant at Arms informed us that no loss had resulted from cashing members' checks when there were insufficient funds on deposit to cover the checks. He stated that many of the checks were outstanding for only a few days. He considers that the members generally are drawing against their accruing salaries which will be paid on the first of the following month.

OPINION OF FINANCIAL STATEMENTS

The financial statements in this report were prepared by us from the records of the Sergeant at Arms. In preparing the financial statements from these records, which are maintained on a cash basis, we included adjustments to present the accountability of the Sergeant at Arms on an accrual basis.

In our opinion, the accompanying financial statements (schs. 1 through 3) present fairly the financial position and accountability of the Sergeant at Arms at December 31, 1971, and June 30, 1972, respectively, and the financial transactions for each of the 6-month periods ended at those dates, on a basis consistent with that of the preceding year and in accordance with applicable Federal laws.



Comptroller General
of the United States

S E R G E A N T A T A R M S

HOUSE OF REPRESENTATIVES

STATEMENT OF ASSETS AND LIABILITIES

DECEMBER 31, 1971, AND JUNE 30, 1972

	December 31, <u>1971</u>	June 30, <u>1972</u>
A S S E T S		
APPROPRIATED FUNDS:		
Funds with U.S. Treasury	<u>\$12,093,101.89</u>	<u>\$1,878,450.85</u>
DEPOSIT FUNDS:		
Funds with U.S. Treasury	1,286,487.27	1,001,960.83
Cash on hand	88,238.09	157,138.69
Exchange items on hand	46,057.28	243,200.39
Accounts receivable:		
Due from members	99,863.73	63,104.84
Tellers' shortages	<u>88.30</u>	<u>191.91</u>
	<u>1,520,734.67</u>	<u>1,465,596.66</u>
Total assets	<u><u>\$13,613,836.56</u></u>	<u><u>\$3,344,047.51</u></u>
L I A B I L I T I E S		
APPROPRIATED FUNDS:		
Accrued liabilities	\$ 1,669,198.99	\$1,677,781.73
Unobligated balances	<u>10,423,902.90</u>	<u>200,669.12</u>
	<u>12,093,101.89</u>	<u>1,878,450.85</u>
DEPOSIT FUNDS:		
Accounts payable:		
Members' deposits	1,520,593.79	1,465,236.25
Tellers' overages	<u>140.88</u>	<u>360.41</u>
	<u>1,520,734.67</u>	<u>1,465,596.66</u>
Total liabilities	<u><u>\$13,613,836.56</u></u>	<u><u>\$3,344,047.51</u></u>

S E R G E A N T A T A R M S

SCHEDULE 2

HOUSE OF REPRESENTATIVES

STATEMENT OF FINANCIAL TRANSACTIONS

APPROPRIATED FUNDS

FOR 6-MONTH PERIODS ENDED DECEMBER 31, 1971, AND JUNE 30,
1972, AND FOR THE FISCAL YEAR ENDED JUNE 30, 1972

	<u>Six-month period ended</u>		<u>Fiscal</u>
	<u>December 31,</u>	<u>June 30,</u>	<u>year</u>
	<u>1971</u>	<u>1972</u>	<u>1972</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$ 1,804,083.52	\$12,093,101.89	\$ 1,804,083.52
APPROPRIATIONS:			
Salaries	20,262,420.00	-	20,262,420.00
Mileage and expenses	200,000.00	-	200,000.00
Gratuities	<u>85,000.00</u>	<u>-</u>	<u>85,000.00</u>
Total appropriations	<u>20,547,420.00</u>	<u>-</u>	<u>20,547,420.00</u>
Total funds available	<u>22,351,503.52</u>	<u>12,093,101.89</u>	<u>22,351,503.52</u>
DISBURSEMENTS AND TRANSFERS:			
Salaries and Government contributions:			
Paid to members:			
By check	442,142.67	397,358.80	839,501.47
Transferred to deposit fund account (sch. 3)	5,928,897.99	5,590,017.33	11,518,915.32
Paid to Internal Revenue Service:			
Withholding tax deductions	1,997,489.92	2,352,894.37	4,350,384.29
Paid to Civil Service Commission:			
Members' deductions:			
Retirement	721,015.52	719,469.38	1,440,484.90
Life insurance	68,873.76	68,712.84	137,586.60
Health insurance	70,236.72	82,524.46	152,761.18
Optional life insurance	17,707.18	19,768.74	37,475.92
Government contributions:			
Retirement	721,015.52	719,469.38	1,440,484.90
Life insurance	34,436.88	34,356.42	68,793.30
Health insurance	<u>43,707.48</u>	<u>45,348.72</u>	<u>89,056.20</u>
Total	<u>10,045,523.64</u>	<u>10,029,920.44</u>	<u>20,075,444.08</u>
Mileages of members and expense allowance of Speaker:			
Paid by check	-	13,521.60	13,521.60
Transferred to deposit fund account (sch. 3)	<u>5,338.00</u>	<u>171,209.00</u>	<u>176,547.00</u>
Total	<u>5,338.00</u>	<u>184,730.60</u>	<u>190,068.60</u>
Total salaries, mileages, and expense allowance	10,050,861.64	10,214,651.04	20,265,512.68
Gratuities to widows of deceased members	85,000.00	-	85,000.00
Unexpended balance of appropriations deposited into general fund of the Treasury	<u>122,539.99</u>	<u>-</u>	<u>122,539.99</u>
Total disbursements and transfers	<u>10,258,401.63</u>	<u>10,214,651.04</u>	<u>20,473,052.67</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	<u>\$12,093,101.89</u>	<u>\$ 1,878,450.85</u>	<u>\$ 1,878,450.85</u>

HOUSE OF REPRESENTATIVES

STATEMENT OF FINANCIAL TRANSACTIONS

DEPOSIT FUNDS

FOR 6-MONTH PERIODS ENDED DECEMBER 31, 1971,

AND JUNE 30, 1972, AND FOR THE FISCAL YEAR ENDED JUNE 30, 1972

	<u>Six-month period ended</u>		<u>Fiscal year</u>
	<u>December 31,</u> <u>1971</u>	<u>June 30,</u> <u>1972</u>	<u>1972</u>
ACCOUNTABLE BALANCE AT BEGINNING OF PERIOD	\$ 1,696,115.79	\$ 1,520,734.67	\$ 1,696,115.79
RECEIPTS:			
Transfer from appropriated funds (sch. 2):			
Salaries of members	5,928,897.99	5,590,017.33	11,518,915.32
Mileage of members and expense allowance of the Speaker	<u>5,338.00</u>	<u>171,209.00</u>	<u>176,547.00</u>
Total	<u>5,934,235.99</u>	<u>5,761,226.33</u>	<u>11,695,462.32</u>
Personal deposits by members	4,039,469.30	5,216,599.65	9,256,068.95
Sale of traveler's checks	91,313.36	63,591.31	154,904.67
Tellers' overages	<u>140.88</u>	<u>219.53</u>	<u>360.41</u>
Total receipts	<u>10,065,159.53</u>	<u>11,041,636.82</u>	<u>21,106,796.35</u>
Total available for disbursement	<u>11,761,275.32</u>	<u>12,562,371.49</u>	<u>22,802,912.14</u>
DISBURSEMENTS:			
Payments to or for accounts of members (net of amounts due from members)	10,149,001.51	11,033,183.52	21,182,185.03
Remittances to consignors for traveler's checks sold	91,313.36	63,591.31	154,904.67
Tellers' overages (prior years) applied to shortages	<u>225.78</u>	<u>-</u>	<u>225.78</u>
Total disbursements	<u>10,240,540.65</u>	<u>11,096,774.83</u>	<u>21,337,315.48</u>
ACCOUNTABLE BALANCE AT END OF PERIOD	<u>\$ 1,520,734.67</u>	<u>\$ 1,465,596.66</u>	<u>\$ 1,465,596.66</u>